



Capital Planning Committee

Capital Plan for FY2022 (July 1, 2021 – June 30, 2022)
5-Year Plan for FY2022 – FY2026

Date: Thursday, December 3, 2020
Time: 5:00pm-7:00pm
Location: Zoom Meeting

Minutes

Attendance: Joseph Barr,
Ida Cody,
Kate Leary,
Kate Loosian,
Phyllis Marshall (arrived 5:20pm),
Michael Mason,
Chris Moore,
Angela Olszewski,
Sandy Pooler,
Jon Wallach,
Julie Wayman, Management Analyst
Timur Kaya Yontar,
Ken Pruitt, Energy Manager.

Not in attendance: None.

Meeting Opened: Mr. Yontar called the meeting to order at 5:07pm. The minutes of the meeting of November 19, 2020 were reviewed and unanimously approved (moved by Mr. Moore, seconded by Ms. Loosian).

Review of Upcoming Meetings: Mr. Yontar briefly reviewed the upcoming schedule of meetings including the December 17, 2020 meeting that will include the second review of the budget and a report from the Best Practices Subcommittee on debt policies and recapture of unused borrowing capacity. The final meeting for this cycle will be on January 7, 2021 with the submittal to the Town Manager due the following day.

Discussion with Energy Manager Ken Pruitt: Mr. Pruitt went over a presentation on the Town's Net Zero plan that was also distributed to Committee, which was based on prior

presentations that have been made to other groups. Key points from the presentation included the following:

- The Net Zero plan grew out of a 2018 Select Board vote that committed Arlington to Net Zero Greenhouse Gas (GHG) emissions by 2050.
- A review of the timeline of past successes in energy use reduction.
- The role of the Clean Energy Future Committee.
- The Net Zero Plan project is funded by the state with technical assistance from the Metropolitan Area Planning Council (MAPC).
- Initiatives in the plan deal with both transportation and building energy use, which are principal sources of GHGs in Arlington.
- The basic roadmap and approach for the plan includes three main elements: maximize energy efficiency, electrify everything, and green the grid. The plan includes 31 GHG emissions mitigation measures, which are described in greater detail in the presentation.
- The plan includes a discussion of equity and dealing with economic inequality.
- The plan includes two key recommendations that are directly related to the Committee:
 - Reduce energy use (target of 25%) in existing buildings and make new buildings fossil-fuel free.
 - Zero emissions municipal fleet.

Members of the Committee had a number of questions for Mr. Pruitt:

- Mr. Wallach asked if green hydrogen is an alternative to natural gas? Mr. Pruitt responded that this could be advantageous if it can be produced at a reasonable cost, since it is a better retrofit option; so far this is a very expensive and energy intensive option to produce, but hopefully that will improve in the future.
- Mr. Moore asked if the costs for these items are comparable or higher, and when will any cost increases occur? Mr. Pruitt responded that they haven't quite figured that out, and he is hoping that the cost increases will be limited or none. For buildings, the Net Zero changes can be done at almost the same capital cost. This could also be true for electric vehicles in the near future, due to reduction in the cost of batteries. But will be looking at this more as time goes by and figuring out how the cost factors play out.
- Mr. Moore noted that the Arlington High School (AHS) project seems like our first attempt and asked how we will we know if it's working? Mr. Pruitt responded that we will have good data on that and expect to be able to see the energy savings in a fairly straightforward way.
- Ms. Loosian asked how this will procedurally lead to changes in the list of projects the Committee is reviewing? Mr. Pruitt responded that he hopes to receive approval for the plan early next year, and will then need to decide which measures we take on first. For future projects that will be happening anyway, the Net Zero elements will be integrated into the design, but there will also be separate retrofit projects going forward.
- Mr. Barr asked about how we account for the tradeoff in operating costs vs. capital costs, since we may spend more on capital costs and then save money on operating costs, and those savings may be difficult to recapture for the capital plan.

Mr. Pruitt said that this is a hard to do, but maybe it's something that we can figure out, and Mr. Moore noted that if we can document the operating cost savings then maybe there can be a way to capture credit for those in the capital plan.

- Mr. Barr also noted that we should think about non-traditional vehicles (mowers, etc), as DPW (and other departments) replace these types of equipment.
- Mr. Moore asked whether greening the grid requires energy storage. Mr. Pruitt responded that they are looking at different energy storage options, and also ways to buy more renewable power. He also mentioned vehicle-to-grid energy storage options, where extra energy is stored in private (or municipal) vehicles and then fed back into the grid as needed. Put together, this could save the Town money by limiting the demand charges that we pay.
- Ms. Wayman asked for more information on demand charges. Mr. Pruitt responded that these are charges based on the “peakiness” of our demand, so if we can reduce the demand peaks, then we can reduce these charges significantly. If we can use an energy storage system to reduce that peak, we can save significant money, and this strategy is being done with the new AHS building.
- Mr. Yontar asked if there is a target date for building efficiency improvements to be implemented? Mr. Pruitt responded that it is hard to set a date because buildings have such a long life and it's hard to know how quickly we can get this done. He also noted some Town buildings would be prohibitively expensive to retrofit unless they were also undergoing a major renovation.
- Ms. Wayman asked how these changes are actually being moved into the departmental requests. Mr. Yontar said that is happening somewhat informally, but the Committee may also need to make coordinating with the Energy Manager a more formal check in, as is done with IT and Facilities. Mr. Pooler added that this is something the Town is trying to spread around and analyze. Regarding vehicles, they are generally looking at hybrids and electrics wherever feasible, and the next big question is what can be done for larger vehicles.

Mr. Yontar closed the discussion by thanking Mr. Pruitt for the presentation.

Best Practices Subcommittee-Project Prioritization: Mr. Yontar started the discussion about project prioritization by laying out the information and tools that we have available to decide on how to prioritize projects. We can look at both bottom up rankings (e.g., priorities from departments) and top down input (e.g., recommendations from the Town Manager). In general, he suggested trying to come up with a way to rank order the projects and create a cutoff line that will determine which projects are in or out of the plan. This would then lead to three categories: projects that are clearly above the line, projects that are clearly below the line, and projects that are close to the line, which is where the bulk of the discussion can be focused. Conceptually, the idea is to have people rank projects individually and then put all of those rankings together (with some adjustments) to come up with the rank list.

Committee members had a number of reactions and comments:

- Mr. Wallach indicated that is a little uncomfortable with imposing a prioritization of our own design on these capital requests, and asked how that would be combined

with departmental priorities and the Town Manager's priorities. Mr. Yontar responded that although the Committee is not an elected body, we do have knowledge and expertise, so we do have some ability to make these priorities. Mr. Moore also noted that part of the goal is to change past practice of simply deputizing the Chair and the Vice Chair to make the plan fit within the financial constraint and thereby set implicit priorities. This is an attempt to make it more a decision of the whole committee.

- Mr. Barr said that this could be an interesting experiment to see what the wisdom of the crowd tells us, and then make adjustments from there. He also noted that there could potentially be a lot of items to rank.
- Ms. Loosian asked if we need to fully program out all five years in detail. Mr. Yontar said that we do, although we don't need to be quite as precise in the out years, and the 5% limit is something that we need to target over all five years, not necessarily exactly in each year
- Mr. Pooler noted that he sees this as a tool that will help create conversations, not an exact ranking of the items, and seems like something that is worth trying.
- Ms. Loosian indicated that she would find this a good way to become familiar with everything in the plan.
- Ms. Leary asked if we are ranking every single item. Mr. Yontar suggested starting with only FY22, but also noted this is somewhat artificial since we are not over budget in that year, in part due to how we are currently borrowing, which makes everything that is debt funded free in the first year
- Ms. Leary also asked where we are expected to take into account the departmental prioritization, or is it just what we think? Mr. Yontar said that we are not formally incorporating that into the formula and calculations, but we should look at those priorities in deciding on our priorities.

Mr. Moore walked through the ranking spreadsheet and how it would work mechanically. Mr. Wallach suggested that maybe this be done by Subcommittees for the projects that they are responsible for, which Ms. Leary also thought made sense. Mr. Moore said that if people are uncomfortable ranking a specific project (or group of projects), they can leave those projects blank and it will not skew the ranking process. He also closed the discussion by noting that part of the reason we are moving in this direction is because we are anticipating a world where more hard decisions need to be made, and this is testing out a tool for doing that. Committee members agreed to try out the ranking tool in advance of the December 17, 2020 meeting, so that they could review the results at that time.

First Review of Capital Budget: Mr. Yontar provided an overview of the process of moving from the project lists to the capital budget estimate, and using the Access and Excel files to get to the 5% sheet. At this point, the FY22-FY26 plan is at 5.49% of the Town operating budget over all five years, as compared to the 5% goal. None of the financing for FY22 budget items hits that year as debt service, which is why we are below the limit for that year. Mr. Yontar then walked the Committee through the basic tables that summarize the plan sources and uses. He also provided a description of the exempt and dedicated funding sources, as well as the different types of funding that go into the plan (cash, bond, other). He noted that there is a potential that the interest rate assumption in

the calculations is too high (since interest rates are currently at historical lows), which may be artificially constraining how much we can spend. He also mentioned that the Library projects don't hit the plan that hard because of how far out these projects are in the plan. Mr. Wallach asked about whether we can change the mix of bonds and cash to help balance the plan and Mr. Yontar responded that these are definitely the kinds of tweaks that we wind up making at this stage of the plan as we bring it into balance.

The Committee will perform a more detailed review of the budget once the ranking exercise has been completed.

New Business: There were no new business items.

Meeting Adjournment: The meeting adjourned unanimously at 7:05pm (moved by Mr. Barr, seconded by Mr. Wallach).